Beyond loan waivers & doles

CIFA has chalked out an elaborate national agricultural agenda which it wishes the government to follow over the next 10 years



FARM VIEW SURINDER SUD

armers do not need charity like loan-waivers or doles. They need income through income through fair returns on their produce to live with dignity,' maintains one of the major farmers' organisations, the Consortium of Indian Farmers Association (CIFA). This all-India body, representing a sizable section of farmers, stands apart from the other farm unions in several respects. Unlike most other unions which are linked to political parties and are agitating for loan write-offs and other financial sops, CIFA is apolitical and campaigns chiefly for policies that can make agriculture self-sustaining. Besides, instead of opposing the genetically modified (GM) crops as most other farm unions do, CIFA strongly advocates deployment of modern technologies such as nano, space, atomic, information and biotechnology to make farming remunerative. The CIFA's crusade, therefore, is basically for a technology- and knowledge-based vibrant agriculture ably supported by efficient marketing and farmers-centered policies.

With this end in view, CIFA has chalked out an elaborate 'national agricultural agenda' which it wishes the government to follow over the next 10 years. Its broad aim is to propel the farm sector growth to at least 4 per cent a year, from the present longterm average 2 to 3 per cent, to narrow down the gap between agriculture and other sectors of the economy. For this, agriculture needs to be at the centre stage of economic development — the way industry, trade, services and other sectors have been since the beginning of the economic reforms. It also calls for a separate farm sector budget under an agriculture minister of deputy prime minister's rank. Besides, it wants agriculture to be looked after by officials having some basic knowledge of farming rather than by the city-bred bureaucrats.

Significantly, the CIFA's agenda lays stress on several areas that have not received due attention. These include land and tenancy regulations, revamping of agricultural marketing. mechanisation of farm operations and mobilisation of private investment in infrastructure, agro-processing (value-addition) and farm research. The labour employed under the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) should be permitted to work on the farmers' fields on a cost-sharing basis to ease the growing shortage of farm labour, especially in the agriculturally progressive areas This aside, CIFA favours stable

farm policies formulated with a long-

term perspective to safeguard the farmers' economic interests. The present inflation control-oriented policies, marked by kneejerk reactions to emerging situations, frequent alterations in import-export duties and various kinds of curbs on the external and domestic trade of farm goods, tend to protect the interests of the consumers at the cost of the producers. The duty structure on the external trade of farm items should incentivise exports and allow only essential imports. The landed cost of the imported commodities, moreover, should be at least 10 per cent higher than their minimum support prices to avoid any adverse impact on domestic Essential production. The Commodities Act, which facilitates imposition of trade restrictions on mass-consumed agri-commodities, also needs to be revisited.

Another noteworthy, even if hard to implement, counsel from CIFA is to put agriculture and irrigation in the concurrent list of the Constitution to let the Union government play a more meaningful role in their development. Many critical subjects like agricultural credit, crop insurance, disaster relief. external trade and technology generation are already being managed largely by the Centre. The states are looking after seeds, power, cooperatives and extension services. Most of these sectors are in a dismal state. The irrigation sector, which is starved of funds because of the poor financial health of most states, would also stand to gain if brought under the direct control of the Centre.

With general elections round the corner, CIFA intends to approach various political parties, especially the regional parties that are expected to play a more prominent role in governance in the future, to urge them to include part of this agenda in their election manifestoes. These parties may actually benefit by doing so as many, if not all, of the CIFA's suggestions are well-judged, need-based and result-oriented.

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Pakistan's economy crosses a line of control

Last week's cross-border skirmish has raised the stakes for PM Imran Khan to access foreign aid

SUBHOMOY BHATTACHARJEE

he recent flare-up with India has possibly lengthened the odds against Pakistan to get the foreign aid that it needs immediately. The choices are, principally, two: From China or the International Monetary Fund (IMF). Of the total foreign loans Pakistan raised in 2017-18, more than 40 per cent came from these two sources. Islamabad also raises commercial loans of approximately the same amount from abroad. Foreign loans from both streams account for 30 per cent of the country's GDP.

Just after taking over as Prime Minister, Imran Khan had decided to reopen the deals his predecessor Nawaz Sharif had signed as part of the estimated \$62 billion China-Pakistan Economic Corridor. The reopening has made China uncomfortable, because Khan seemed more eager to secure an IMF bailout.

It will be a bailout, because rating agency S&P's data shows the country has forex reserves to cover just one month's import (the Pakistan finance ministry contests the data). In November, S&P has downgraded the long-term sovereign credit rating on Pakistan to B minus from B citing "diminished growth prospects, as well as elevated external and fiscal stresses" (the rank means the country's finances are in a highly speculative

Last week as airports across Pakistan remained closed for more than a day amid other disruptions, the

insurance costs could make those numbers could look even more perilous. The other data points are worse. While the Pakistan government estimates a nominal GDP growth rate for 2017-18 at 7.61 per cent, the rating agency's calculations show that thanks to dipping exchange value of the Pakistan rupee the GDP measured in US dollars could actually shrink in

2019 and 2020 (see table), Such gyrations in statistics is one of the reasons the IMF has recently brought the country under a strict statistical publication system. A press note issued by the IMF in January this year said Pakistan has finally put in

place the recommendations of the Enhanced General Dissemination System (e-GDDS) of publishing critical statistical data through the National Summary Data Page.

The last IMF annual surveillance of the Pakistan economy took place in June 2017, which is unusual since this is an annual

mandate under the IMF charter. In fact, most countries baulk at even this annual ritual. But Pakistan has been in a different league altogether. In the past 30 years, the country has almost each year, needed more intensive check-ups by the IMF and the World Bank than the annual surveillance permits. Those check-ups are necessary for IMF to asses that the conditions surrounding the 12 bail-outs it has given to Pakistan, the most by any country in Asia, are operating satis-

But despite such intensive scruti-

PRESSURE POINTS

(Pakistan: Selected Indicators)

	2013	2014	2015	2016	2017	2018	2019	2020*	2021*	2022*
Nominal GDP (bn local currency)	22,386	25,169	27,443	29,076	31,963	34,396	36,921	39,550	42,347	45,275
Nominal GDP (bn.\$)	231	244	271	279	305	313	282	278	287	297
External indicators										
Exports/GDP(%)	13.3	12.2	10.6	9.1	8.2	8.5	8.3	8.3	8.3	8.2
Current account balance/GDP (%)	-1.1	-1.3	-1	-1.7	-4.1	-6.1	-5.1	-4.7	-4.2	-3.8
Current account balance/CARs (%)	-5	-6.1	-5.3	-9.5	-24.3	-34.9	-28.4	-25.9	-23.1	-20.6
CARs/GDP(%)	21.7	20.9	19.6	18.4	17	17.4	17.8	18	18.3	18.4
Trade balance/GDP (%)	-6.6	-6.8	-6.4	-6.9	-8.7	-10	-9.1	-8.6	-8.1	-7.7
Net FDI/GDP (%)	0.5	0.6	0.3	0.8	0.9	1	0.9	0.9	0.9	0.9
Net portfolio equity inflow/GDP (%)	0	0.3	0.3	-0.1	-0.2	-0.1	0	0	0	0
Gross external financing needs/ CARs plus usable reserves (%)	101.5	113.1	108.3	106.5	115.3	131.6	151.1	146.4	141.7	139
Net external liabilities/CARs (%)	139.9	148.1	144.3	163.1	195.6	216.8	258.2	275.4	276.3	279.1
Short-term external debt by remaining maturity/CARs (%)	21.3	20.7	23	25.2	29.3	32.1	39.2	47.8	49.1	52.3
Usable reserves **	2.8	1.4	2.1	2.9	3.2		1	1.8		2.4
CAR: Current account reserves; * estimates **(for number of months) Source: S&P										

13th bailout have floundered, for two reasons. One is the worry that Pakistan could use the money to pay back some of the already contracted Chinese aid, which according to the country's budget papers stands at \$ 10.8 billion. "The external sector pressures are in part linked to the fiscal deterioration during the last fiscal costs of lost exports, ticket sales and IMF since January 2019, to secure a year and an accommodative monetary Islamabad "to strengthen fiscal disci- qualify for a monthly lucky draws.

policy stance, as well as the high imports related to the China Pakistan Economic Corridor projects," the executive board assessment has noted. In other words, give a guarantee that the IMF and Chinese loans would not be mixed up. As an aside, Pakistan raises loans from 27 nations.

The other is a nuch

pline through additional revenue measures and efforts to contain current expenditure while protecting pro -poor spending". In other words, cut defence spending which accounts for over 20 per cent of the country's annual budget (India spends about 11 per cent). The Pakistan army has taken out an insurance against their budget cut after last week's developments.

Measures by the State Bank of Pakistan to address inflationary risks and help reverse external imbalances are also difficult, though the IMF has also asked for it. The foreign money imparts additional liquidity into the economy that keeps prices elevated. Since Pakistan has to raise 50 per cent of its external loans from the markets. it has to keep paying high interest rates to keep the lenders interested despite its speculative grade rating.

With foreign money terribly short, the country has begun to use innovative methods to raise forex reserves. Pakistan is one of the rare countries that has a ministry for sending labour abroad. The state guides them to "seek employment opportunities in international labour market including the Gulf countries" and maintains a data bank with the ministry of overseas Pakistanis and human resource Development of over 600,000 people for the purpose. The other strategy is to promote tobacco. A released issued by the Pakistan finance ministry this week notes that it has approved a proposal from Philip Morris Pakistan Ltd. for export and analysis of tobacco seeds "The analysis report would help in production of good quality tobacco in future for domestic use and export purposes".

And the budget has introduced a lottery for overseas Pakistanis when they send in remittances. All remittances sent through legal channels

CHINESE WHISPERS

Language of friendship

Twitterati in India, and perhaps Pakistan too, was in for a surprise on Monday morning when it came across a tweet in Hindi posted by @PTlofficial — the official Twitter account of the ruling Pakistan Tehreek-e-Insaf (PTI) party in the neighbouring country. Not only did the party choose the Devanagri script to convey its leader and the country's Prime Minister Imran Khan's reaction to the campaign demanding a Nobel Peace Prize for him, but also composed the tweet in chaste Hindi. To summarise the message conveyed in the tweet, it quoted Khan as saying that he did not consider himself eligible for the prize and that someone who "resolved the Kashmir dispute according to Kashmiri people's wishes" and "paved the way for peace and human development in the subcontinent" deserved it. Users responded with all kinds of tweets ranging from questioning the PTI's intent to wondering who in Pakistan had such good knowledge of the language.

AAP's list



After announcing that the Aam Aadmi Party (AAP) will fight the upcoming Lok Sabha elections in Delhi, Punjab and Haryana on its own, the party has drawn up a list of leaders who would be its star

campaigners. Chief Ministers Mamata Banerjee (West Bengal) and N Chandrababu Naidu (Andhra Pradesh), disgruntled Bharatiya Janata Party (BJP) leader Shatrughan Sinha and former Finance Minister Yashwant Sinha — who guit the BJP sometime back — are among the top leaders the AAP is counting on to spread the good word for it. The party had on Saturday named its candidates for six of Delhi's seven Lok Sabha seats and entered the second phase of its poll campaign in the city.

Sons rise in TN

the debut for many next generation leaders in Tamil Nadu. Nominations on behalf of Chief Minister Edappadi K Palaniswami's son Mithun Kumar, and industry minister M C Sampath's son S Pravin were filed by party cadres. Deputy Chief Minister O Panneerselvam's son P Ravindranath Kumar is planning to submit his application too. Other top leaders battling for seats for their close ones are fisheries minister D Jayakumar, law minister C V Shanmugam and municipal administration minister S P Velumani. Supporters of actor Udhayanidhi Stalin have urged his father and Dravida Munnetra Kazhagam (DMK) president MK Stalin's to field him from Tiruvarur. It is learnt senior DMK leader and party treasurer S Duraimurugan has sought support for his son Kathir Anand, who is likely to contest from Vellore. Desiya Murpokku Dravida Kazhagam leader Vijayakanth's son Vijay Prabhakaran, who is likely to be a star campaigner for the party ahead of the

The coming Lok Sabha election will see

ON THE JOB

Employment rate falls in February 2019



MAHESH VYAS

abour participation rate fell from 43.2 per cent in January 2019 to 42.7 per cent in February. A year ago, in February 2018, the labour force participation rate was 43.8 per cent. Since then, this ratio has slipped to a low of 42.5 per cent. It seems to be stabilising within the range of 43.2 and 42.5 per cent.

The most worrying part of the monthly labour participation rate series is that it has been systematically lower than the corresponding levels a year ago. In every month of 2018 and in the months of 2019 so far, the ratio has always been lower than it was in the corresponding month of the previous year. This was also the case in 2017. But, that could be attributed to demonetisation. The continued year-on-year fall in the labour participation rate even in 2018 and 2019 indicates a deeper or a more sustained problem ailing India's labour markets.

While the labour participation rate has been falling, the unemployment rate has been rising. The labour participation rate is the proportion of the working age population that is either employed or is unemployed but actively looking for a job. The working age population comprises those who have completed 15 years of age or more. The falling labour participation rate implies that lower and lower proportion of the working age population

is willing to work. The unemployment rate is the proportion of the labour force that is unemployed. The problem India is facing is that even

this falling labour participation rate encounters an increasing incidence of unemployment. The unemployment rate in February

2019 was 7.2 per cent. This was higher than the 7.1 per cent unemployment rate in January 2019 and much higher than the 5.9 per cent unemployment rate in February 2018 or the 5 per cent in February 2017. The interplay of the labour participa-

tion rate and the unemployment rate has undergone significant changes since 2016, when we started measuring labour market indicators, Till October 2016, both. the labour participation rate and the unemployment rate, were high. Post demonetisation, both fell. Then, from July 2017, unemployment started to rise but the labour participation rate did not. Initially, the labour participation rate recovered a bit and then stabilised. But after February 2018, labour participation rate also started declining.

Therefore, for the last one year, India has been witness to, once again, the dreadful phenomenon of falling labour participation rates and rising unemployment rates.

This combination leads to a falling employment rate. The employment rate is a powerful summary statistic of labour markets. It measures the proportion of working-age population that is employed. Growth requires more hands to the oar. The employment rate is a measure of the hands that power the oar to steer the economy onto a high growth trajectory.

India's problem is not the unemployment rate as much as it is the employment rate. We have a low unemployment rate because we have a low labour participation rate. At the core of the problem

is very low job opportunities.

The low job opportunities compared to the size of the working age population have reduced wages in the private and unorganised sectors to a point, where, only the desperate are willing to take up such jobs. These low job opportunities have also kept labour participation rates low. If there are not many jobs to run after, then it does not make sense to crowd the already crowded labour markets.

The employment rate in India skid onto a sharply declining trend from November 2017 when it was 41.8 per cent. By December 2018, it fell to 39.5 per cent. In February 2019, the ratio was 39.7 per cent.

The total number of employed persons in February 2019 is estimated at 400 million. This is lower than the 406 million employed in February 2018 and 407.5 million in February 2017. Less hands to the oar.

India needs to employ its growing working-age population. The working age population grows by an estimated 23 million a year. If we assume that 42-43 per cent of these will join the labour force, we are looking at an increment of 9.6 to 9.9 million to the labour force in a year. This means that we need to find new jobs on a net basis (that is, net of those who exit the labour force because of retirement or any other reason) of the order of 0.8 million every month.

If we do not find these jobs, initially, the unemployment will rise. But, it is unlikely that it will continue to rise too much. It is more likely that political pressures will rise. Labour "understands" that there are no iobs and labour markets can only offer them increasingly depressing wages.

Beyond a point these will lead to political pressures which, we must recognise, is also a form of social unrest.

Disclosure: The author is the MD & CEO of CMIE

LETTERS

Manage risks

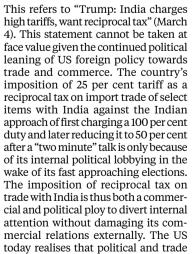


Debashis Basu in his columns has been berating the performance of the public sector banks (PSBs) and their lack of accountability. He seems to suggest that there is corruption at the higher levels. While holding no brief for any of the top executives, one wonders if the performance is not on account of poor judgement and incompetence. Bankers' rise to the top has not been due to merit or performance alone. The banks have suffered due to poor recruitment policy, the lack of lateral movement and poor training and exposure. Combine this with various pressures, especially from the government which burdens PSBs with onerous tasks such as pension payments, India is only incidental and has no subtax collection. Aadhar enrolment as stantial commercial benefit for US. well as in executing schemes which India, too, does not stand to lose on seem to take the fancy of politicians in commercial ties. power from time to time. After dismantling of term lending institutions, banks were expected to fund long-term infrastructure projects also without being technically equipped or financially capable for the same. In the euphoria of a booming economy, even big private banks jumped into the fray. Foreign banks, which were hitherto part of the cocktail circuit, took exposures and got badly burnt. Business is

essentially risk prone. Failures are bound to be there. Just

look at our redoubtable Tata group. How many of the forays they ventured into have contributed to their bottom line in the last decade and a half? Corrective measures need to be initiated and implemented. Accusations, unless well founded, serve no purpose.

MK Subbiah via email Political ploy



relations are mutually cohesive. A nominal benefit from the imposition of a 25 per cent reciprocal tax on trade with

The US also cannot do away with import of software along with its related technological expertise from India. Further, as of today, it no longer possesses global dominance. Although there is a temporary thaw in its trade relations with China, it has become a global irritant obstructing smooth flow of established export and import ties whether directly or indirectly. It also cannot make a blanket statement that other economies are underperforming in comparison to it as it is not justified.

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HAMBONE



MUMBAI | TUESDAY, 5 MARCH 2019

Capgiveaways

Entitlements without considering future costs not advisable

he ongoing election campaign has featured a noticeable amount of competitive populism. The Bharatiya Janata Party has promised income transfers to small and marginal farmers. The opposition Congress party, meanwhile, has promised a minimum income guarantee, which would transfer cash to all those below an unspecified poverty line. The past year has seen various state governments promise loan waivers and deliver them to a lesser or greater degree. But that is no longer the primary issue. The issue now is one of spreading entitlements, particularly to programmes that are open-ended in scope. The question that needs to be asked is whether a moratorium on such promises is needed, or if an all-party agreement can be agreed upon to cap giveaways, perhaps as a proportion of gross domestic product (GDP). Otherwise, India is in danger of being forced by competitive populism on to a downward spiral of expenditure and debt.

This is not to say that there are no good reasons to examine income transfers as a form of welfare spending. Income support for farmers, for example, would not distort incentives the way current agricultural subsidies do. It would also be compliant with the rules of the World Trade Organisation. But if income support for farmers is used at the same time as fertiliser subsidies, procurement prices and so on, then the burden will become problematic going forward. There is also a categorical difference between such entitlements and one-time policies such as loan waivers. While the latter may have moral hazard problems, cash entitlements can balloon over time. They should be more carefully factored in. Consider the cost of the one rank one pension (OROP) promise to retired servicemen. It is far from clear what the net present value of that promise $actually \, was \, - \, but \, there \, is \, no \, question \, that \, it \, represents \, a \, significant \, proportion$ of GDP. India must be wary of building up more and more such entitlements without a clear notion of what they will cost in the decades to come.

The universal health insurance plan of the government is revealing. It promises, in effect, a transfer to health care recipients. But there is no clear idea of how costs could balloon over time. Even more crucially, it means that scarce resources could be diverted from the government's core responsibility to build more public hospitals, staff primary health care centres, and so on. Transfer entitlements cannot be seen as substitutes for the hard work of governance, and the public provision of basic services such as health care and schooling. But the way politics works, increasing transfers will squeeze out government spending on essential services. Meanwhile, there will be no cost control in the private sector. This is a recipe for disaster. A cap on such transfers would force politicians to make the necessary trade-offs. Agricultural income support could then be sold as part of a deal that also reduces fertiliser subsidies — and it would have a natural ceiling. Such a cap would also be in the shared interest of all political parties, who would, as a result, not be forced into a costly arms race of promises.

Offtarget

Govt should share information on Balakot

ne of the key reasons for India's diplomatic victory over Pakistan in the latest skirmish is that the country is a functioning and vibrant democracy, not a failed client state like its adversary. As with all democracies with elected governments, the government is liable to be questioned by its citizenry about acts of domestic and international significance that are conducted on behalf of the Indian people. The proclivity of the ruling dispensation to equate basic and obvious questions about the Indian Air Force's actions in Balakot as "anti-national" is wide of the mark. To suggest, further, that seeking information about what the IAF, crossing the international border for the first time since 1971, actually hit and the number of casualties implies criticism of the Indian military is even more off target. The military's capabilities are not, and never have been, in question. Indeed, such observations betray a fundamental misunderstanding of the relationship between the government and the armed forces. Unlike Pakistan, the military in India answers to the executive, not the other way around. It is a fundamental founding principle of the Indian state. So, the clarity that is being sought post-Balakot is an issue only the government — not the military — should answer.

This is all the more important as reporting by the international media suggests that the IAF mission either hit non-existent targets or missed them. They have also reported one minor casualty, not 300 dead terrorists, information "unofficially" circulated and which the media appeared to accept. But so far, the official communication strategy has comprised stolid statements from foreign ministry spokespeople (who took no questions from journalists) and a chaotic press conference by the armed forces that provided a partial picture. Instead of providing corroborating evidence — basic things such as before and after satellite imagery — the government has chosen to enmesh the issue in emotive election rhetoric. This is feeding into such dangerously febrile expressions of muscular nationalism that an academic was attacked for critiquing the air strike on social media.

On Monday, the government had Air Chief Marshal BS Dhanoa address a press conference, at which he stoically insisted the IAF hit the targets they were given — an elliptical reference to coordinates that are fed into missiles based on intelligence. On casualties, he flatly said only the government could answer. Yet, it was not a member of the government, nor of the Cabinet Committee on Security nor, indeed, of the security establishment who offered an answer but Bharatiya Janata Party President Amit Shah, who told a rally in Gujarat that "over 250" Jaish-e-Mohammed terrorists were killed in the Balakot strike. He did not quote any source for his information. Why a party functionary should make such claims when the government has not confirmed them is a mystery. Over the past week, the prime minister's triumphal statements on Balakot suggest that electoral considerations are overriding the need to give the Indian people an honest accounting of a major offensive operation that brought us to the brink of war. The best way for the government to blunt criticism and silence questioners is to provide facts.

ILLUSTRATION: AJAYA MOHANTY



home, cross-border firing on the Line of Control (LoC) is reducing and India's military has publicly "committed to maintaining peace and stability in the region". We can assume this crisis is winding down, although another attack like the one at Pulwama on February 14 could trigger fresh cross-border violence. It is, therefore, worth taking a step back to examine how, and where, the strategic terrain has shifted as a result of India's pre-emptive strikes. At the same time, we must take careful note of

what remains unchanged. First, a seismic shift has taken place through New Delhi's ostentatious abandonment of "strategic restraint". Since the Pulwama attack, Pakistani Prime Minister Imran Khan has been telegraphing to India a plea to hold back and resolve matters through dialogue. All through the crisis, Mr Khan urged restraint, even after shooting down an Indian MiG-21 and capturing an IAF wing commander. The very next day, Mr Khan offered to repatriate the pilot as a "gesture of

peace". While that brought him praise for statesmanship and maturity, it was hard to miss the change: Suddenly, the rational actor was the Pakistani leader. India's leader was the unpredictable one. Pakistan's strategy, one that has been described as "cultivated irrationality", lies in tatters on the floor. India's "strategic restraint" has given way to "assured retaliation".

It is hard to overstate the magnitude and ramifications of this change. Since 1947, India has played the rational and responsible actor in every confrontation with Pakistan. It sent troops to Kashmir only after the Maharaja signed the Instrument of Accession in October 1947. The next year, India agreed, despite its military momentum, to wind down the Kashmir war by referring the dispute to the United Nations. In early 1965, so restrained was New Delhi during the skirmish with Pakistan in Kutch that President Ayub Khan concluded India

would not have the stomach to confront a tribal invasion, or a Pakistani ground force intervention in Kashmir later that year. The rational player theme was again evident in 1999, when India pushed out Pakistani infiltrators from Kargil while consciously restraining its aircraft and ground forces from cross ing the LoC. Through years of cross-border terrorism and militancy -in Nagaland, Mizoram, Punjab, Kashmir, the Mumbai bomb blasts of 1993 and the 26/11 strike in 2008 — India demonstrated restraint.

In 2001-02, when the terrorist attack on Parliament provoked New Delhi into mobilising its military, the rationality of Indian decision-makers brought the army back to its barracks without drawing blood. Soon after, India developed the "Cold Start" doctrine that envisions Indian battle groups pouring into Pakistan as soon as a provocation occurs. However, Pakistani forward deployment and its deployment of tactical nuclear weapons (TNWs) have held back rational Indian decision-makers from entering into this

escalatory spiral. All along, Rawalpindi (Pakistan Army's headquar ters) has duped a rational New Delhi into believing that Pakistan would respond irrationally to any Indian punishment. Pakistan assiduously created the impression it would counter Indian strikes with its own army, while stepping up the ante with "subconventional assets" — a euphemism for radical Islamist groups like Jaish-e-Mohammed (JeM) and Lashkar-e-Taiba(LeT). Pakistan has repeatedly signalled that if this were insufficient to hold India, Pakistan would breach the nuclear threshold, starting with using its TNWs. To be sure, India's nuclear doctrine mandated massive retaliation —an all-out nuclear attack, targeting major Pakistan cities — but nobody in Pakistan believed that rational and responsible New Delhi would retaliate massively, given that Pakistan's surviving nuclear weapons would immediately riposte, taking both sides towards mutual assured destruction, with its fitting acronym — MAD.

All this is now in the past, with India having demonstrated resolve, unpredictability and indeed a political appetite for punishing cross-border terror attacks. India is now willing to deploy more than the longstanding options of "fire assaults" and "surgical strikes", which allowed Pakistan to impose counter costs in the same coin. Instead, New Delhi could escalate to options where India is significantly stronger, such as air power and — who knows perhaps naval power next. For Pakistan, the comfortable old calculations and certainties are no longer valid. Strikes on Indian targets now carry a high risk of retaliation and escalation.

Second, India must ensure that its intent is supported by its ability. Regrettably, it remains disputed whether the IAF actually struck and destroyed the madrassa it targeted at Balakot. On Sunday, the Air chief protested that the IAF "can't count how many people died", but nobody wants a precise body count (DELETE). What India and the global community need to be conclusively demonstrated — employing standard "post strike assessment" done with aircraft cameras, satellite photos, unmanned aerial vehicles or ground agents - is that India is not just willing, but also able, to strike its targets. This is equally true for the IAF's claim to have shot down a Pakistani F-16, which also remains contested. In these days of aircraft cameras and airborne command platforms that track every second of an engagement, it is appalling that the IAF is unable to muster convincing proof of a MiG-21 shooting down an F-16 — which would be a David-versus-Goliath triumph.

If India intends to continue along the path of retaliatory strikes, this needs to feature higher in our triservice doctrine, service strategies and equipping priorities. Instead, these documents remain preoccupied with "preparing for a two-front war", that most unlikely of contingencies. Prioritising cross-border punitive strikes would create a robust capability for dealing in a measured fashion with major provocations, without risking a spiral into full-scale war.

Third, and perhaps most crucial, New Delhi must remember that the roots of the current crisis, like others before it, lie in the estranged landscape of Kashmir. The hopelessness that drove a Kashmiri youth to offer himself as a Jaish suicide bomber is widespread, and could lead others down that path too. While the origins of the Kashmir dispute go back to 1947, the last five years have seen an unprecedented spike in Kashmiri alienation. For Kashmiris, the killing of Muslims by gau rakshaks(cow protectors), initiatives like ghar wapasi (re-conversion to Hinduism), regulations preventing Muslims from praying in public spaces, and the "love jihad" bogey validate the two-nation theory, based on the idea that Muslims could never be safe in Hindu India.

Instead of the healing touch that is required, the government continues treating Kashmir as a security issue that is best crushed under the jackboot. Despite this, violence levels have increased over the last five years, more youth are picking up the gun and, most worryingly, unarmed civilians are willing to be shot down while confronting security forces. Yet not a single senior Bharatiya Janata Party leader has engaged in dialogue with Kashmiri separatist leaders. As long as Kashmir simmers in anger, the potential remains for another attack that could kill dozens of security men and spark another crisis with Pakistan. Only dialogue can douse the anger.

A tale of two disenchantments

wenty five years ago, I argued in my doctoral thesis that fiscal policy could be used to map changes in state objectives. In essence that is what I am doing in this column. I contend that the Indian State, at both the central and state levels, is transitioning from being a development State to a compensatory State. Both at the political and the executive level, the clamour is to find the means, technologies and modalities to put money directly into the pockets of citizens to compensate them for the fact that economic growth has not done so, and that the State has also failed in its mission to deliver public and merit goods to those who cannot afford to procure these from the market.

The overarching objectives of Indian economic policy since Independence can broadly be seen as: Self-reliance and economic modernisation (1950-1971): poverty reduction (1970-1991); stable economic growth and balance of payments security (1991-2003); and then growth with delivery of public goods like health and education. These changes in objectives, while significant, could broadly be seen as changes in emphasis and focus

of what has, until now, been a development State. Over the past two years, there has been a discernible shift in the declared objectives of fiscal policy that is bipartisan in nature, reflected in the changing public expenditure composition of many states and now in the flagship economic offerings of both national parties. The value proposition is to use public resources to put cash directly into individual bank accounts through tax reductions and cash transfers.

RATHIN ROY

In my view, this shift has arisen because of two important disenchantments with previous objectives. First, corruption, poor targeting and the low productivity of public expenditures that deliver merit goods. Attempts to use technology to fix this have met with limited success. Public finance is now to be used to

compensate for this failure, not to address it.

Second, growth in India has been unequalising because the top 10 per cent have benefitted disproportionally more from it than the bottom 90. In addition, growth has been unequalising across regions and ethnicities. In these circumstances, arguments for direct transfers are in vogue to compensate for this failure, not to address it.

The elision of these two disenchantments has given rise to a variety of schemes that involve some targeting (farmer rural population very poor) but their common objective is to transfer money from the public exchequer to the intended beneficiary.

> The focus of fiscal policy in contemporary India has thus shifted due to these two disenchantments. The productivity of public spending is low and exacerbated by corrup tion and poor targeting; attempts to use technology to address these problems have been largely unsuccessful. In parallel, the growth process has been highly unequalising, not just in terms of who benefits from growth, but also in terms of who participates in it. Hence, general government (Central and state

governments) is progressively recusing from its commitments to deliver inclusive growth through productive inclusion, and to use public resources at scale to provide merit and public goods and services. Instead of financing development objectives, fiscal policy is now increasingly used to compensate those who were promised development.

There is an important fiscal corollary, independent of one's political or ideological view on the desirability or inevitability of this transition from a development to a compensatory State: Fiscal policy creates a commitment legacy. In India, the historic objectives of public finance have created legacy expenditures and public assets; we have public sector institutions (and development "schemes") that

were created (steel plants, construction firms, universities) or acquired (banks, oil companies) to serve the development objectives of bygone eras, but the State continues to hold on to these and to spend money on them even as the objectives have changed.

In India, when the objectives of fiscal policy change, no structural adjustment happens to adapt public spending to the new objectives by reducing expenditure on things that are no longer a fiscal priority. In large measure, this is due to the absence of a strategic framework within which fiscal policy is designed and implemented. A medium-term fiscal framework as the cornerstone of budget formulation and execution would allow governments at both levels to make these fiscal transitions, thereby securing fiscal space for spending objectives without compromising fiscal consolidation.

Of course, constantly expanding the size of the State (by increasing the general government expenditure/GDP ratio) would also make this possible. This did happen in the past. General government spending expanded from 15 per cent to 25 per cent of GDP between 1971 and 1991. But the national institutional framework for fiscal consolidation has successfully restrained this tendency. This ratio has hovered around 25 per cent since 1991. Hence, it is the fiscal space that is now squeezed, which serves no government well as too little is spent on too many things. We have neither good hospitals nor adequate fighter aircraft; neither good extension services nor adequate public transport.

If, as appears from recent pronouncements, there is a political and executive consensus that the primary objective of general government is to undertake compensatory redistribution, then we would be well advised to think about what to spend less on to secure this objective so that the legacies of past spending do not compromise the effectiveness of this new focus.

The writer is director, National Institute of Public Finance and Policy. Views are personal

Out of the caste mould



GEETANJALI KRISHNA

It is not often that a memoir is able to transcend its writer's own lived experience to become a powerful social commentary. Journalist Yashica Dutt's Coming Out as Dalit is one such work. It takes off from a unique springboard — growing up, Ms Dutt's mother ensured that their caste identity remained a secret. So she buried her identity as a Dalit deep within, but years later, realised that she could no longer ignore this intrinsic aspect of her identity. So she decided to "come out of the closet". so to speak. Her skillful juxtaposition of her experience with a nuanced retelling of Dalit history weaves a not very pretty picture of the society in which she grew up.

Ms Dutt writes that caste is "the invisible arm that turns the gears in nearly every system in our country". Indeed, that's how it seemed to a brilliant voung girl who spent her impoverished childhood grappling with secrets. When she went to boarding school, her mother packed all sorts of home remedies to ensure her skin did not darken (fair skin equalled upper caste, she was told). She also instructed her daughter to say she was a Brahmin if asked about her caste. A picture emerges of an intelligent child who constantly thinks of ways to portray herself as rich and, of course, upper caste. And so, through those early years, Ms Dutt's Dalit identity lay, as she eloquently writes, "deeply buried beneath layers of convent education, urban upbringing and a hardened resolve

to avoid engaging with anything related to caste." This, the author writes, was less a quest for upward mobility, than it was a stratagem to avoid victimisation by peers for an identity into which she has simply had the misfortune of being born.

The personal narrative is interspersed with acute observations on Dalit history. Ambedkar, the Indian tendency to look down on manual labour, the preference for fair skin and more. The author's experience in Delhi University shaped her views on reservation, and she argues her case compellingly. Seen through Dalit eyes, Delhi University, like several universities across the country, is steeped in caste discrimination where lower caste "quota" students and faculty alike have to jump through hoops. Before ragging of freshers was banned in Indian universities, traditional hazing rituals of Dalit freshers often involved casteist slurs based on toxic beliefs

about reservations being anti-merit. Even today, most Indian institutions, she writes, instead of being centres for learning new ideas and questioning the status quo, are arenas of discrimination, exclusion and institutional harassment. She points out that even with reservations, Dalits are discriminated against regardless of their economic background.

Fear of discrimination compelled Ms Dutt to hide her caste identity from the world for over two decades. But she could not erase the shame, fear and ignominy of it from herself. For inside, she knew exactly who she was: The granddaughter of a man who taught himself to write in the mud with a stick because he was not allowed to hold a pen. The member of a community that has. for generations, carried what is euphemistically known as "night soil" in baskets on their heads. And an individual who chafed when peers dismissed the government's reservation policies for being unfair to "meritorious" upper caste individuals. However hard she tried, caste was never far from her mind. A brilliant student, Ms Dutt studied

in premier institutions in India and abroad Ajmer's Sophia School, St Stephens College Delhi and Columbia University in New York for a degree in journalism.

Life in New York, where people knew little about the caste system in India, should have finally enabled her to forget. Instead, the news of the suicide of a Dalit student in faraway Hyderabad shook her to the core. Ms Dutt realised that Rohith Vemula, whose suicide had suddenly brought caste back into the national discourse, had sent her a friend request on Facebook weeks before he died. She had ignored his request, but something about his death and his powerful suicide note affected her profoundly. Not only did it compel Ms Dutt to "come out" as a Dalit on social media, it also made her set up a group on Tumblr for Dalits to share their experiences.

Lucidly written and intelligently argued, the memoir locates Ms Dutt in the larger socio-political context that she has so proudly embraced. In parts, her arguments may come off as extreme, shrill even, but it is worthwhile to remember she is arguing with people who fail to see the irony in demanding compensation for two centuries of colonial rule — but do not think they need to make reparation for thousands of years of discrimination against their own citizens. Although caste may not be a significant construct for people who take their privilege for granted, the memoir reveals how it corrodes the Dalit psyche constantly. In this sense, Coming Out as Dalit is a book everyone should read, especially upper castes who believe caste is dead without sparing a thought for the people who clean their toilets, septic tanks and sewers. More crucially, the book is for every lower caste person who aspires to get ahead in life, for Yashica Dutt is a rare role model, not merely because she managed to escape the clutches of her Dalit birth mould — but because she found the courage to emerge from her self-created closet and find pride in her identity.

COMING OUT AS DALIT Yashica Dutt Aleph, 207 pages; ₹599





AJAI SHUKLA